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ABSTRACT

A study in Georgia evaluated the pre-program to post-program changes in employment, earnings, and welfare dependency for the 6,693 Title II-A adults that occurred between application and participant follow-up 13 weeks after leaving the state's Job Training Partnership Act (JTPA) program during the 1989-90 program year. Findings revealed significant evidence that JTPA receives a meaningful return on the resources invested in the training. Some specific results are the following: (1) adults experienced increased employment, shifting from 83 percent unemployed at application to 65 percent employed 13 weeks after leaving the program; (2) clients experienced reductions in welfare program participation, dropping from 26 percent at application to 16 percent 13 weeks after leaving the program; (3) aggregate earnings of the 6,693 participants rose 587 percent, from $138,150 per week at application to $949,470 13 weeks after leaving the program; (4) food stamp usage was reduced from 38 percent at application to 24 percent 13 weeks after leaving the program; and (5) costs of the program should be repaid in approximately one and one-half years through reduced welfare costs and taxes paid by former participants. (KC)

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MEASURING THE RETURN ON THE INVESTMENT: AN ANALYSIS OF ADULTS SERVED UNDER THE GEORGIA JOB TRAINING PARTNERSHIP PROGRAM

EXECUTIVE SUMMARY

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Measuring the Return on the Investment: An Analysis of Adults Served Under the Georgia Job Training Partnership Program

Executive Summary

Purpose

Since its passage in 1983, the Job Training Partnership Act (JTPA) has provided nearly $265 million under Title II-A to the State and Service Delivery Areas (SDAs) in Georgia to provide job training to unskilled and economically disadvantaged individuals who need training to obtain employment. The goals of this training, according to the Act, are to increase the employment and earnings of participants and to reduce welfare dependency.

With these goals in mind, the Job Training Division of the Georgia Department of Labor initiated a study of pre-program to post-program changes in employment, earnings and welfare dependency for adults that occurred between application and participant follow-up 13 weeks after leaving the program during the 1989-90 program year. The results of the first phase of this study are summarized below.

Initial Key Findings

When examining patterns in employment, income and receipt of public assistance for the 6,693 Title II-A adults who left training during the 1989-90 program year, the Job Training Division found significant evidence that JTPA receives a meaningful return on the resources invested in the training. Specifically, the results of the study indicate:

- adults as a group experienced increased employment, shifting from 82.9 percent *unemployed* at application to 64.6 percent *employed* 13 weeks after leaving the program;
- the adults in the study experienced reductions in AFDC program participation, dropping from 26.3 percent at application to 16.0 percent 13 weeks after leaving the program;
- the study group experienced increased aggregate earnings, rising 587 percent from $138,150 per week at application to $949,470 13 weeks after leaving the program;
- the group experienced reduced aggregate monthly welfare payments, decreasing 42.3 percent from $468,061 at application to $290,247 13 weeks after leaving the program;
- the adults in the study experienced reductions in food stamp program participation, dropping from 38.2 percent at application to 23.7 percent 13 weeks after leaving the program;
- the employed adults in the study group will produce tax and welfare reduction benefits that repay *all* participants' (employed and not employed) $16 million in training costs in approximately one and a half years (a projected time frame) after leaving training;
- the employed adults will pay back *their* own training costs in slightly less than one year (a projected time frame) after leaving the training program; and
- the less job ready adults pay back their training costs in a shorter period of time when compared to the more job ready adults included in the study.

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Measuring the Return on the Investment: An Analysis of Adults Served Under the Georgia Job Training Partnership

Overview

The attached table explores the gross impact of the Georgia Job Training Partnership Program on employment, earnings, and welfare reduction among adults who left the program during the 1989-90 program year. The evaluation describes how the Georgia Job Training Partnership Program functions using a cost-benefit perspective. Beginning with the planned costs of program participation, the analysis focuses on pre-program to post-program changes in employment, earnings, and welfare dependency that occur between application and participant follow-up 13 weeks after leaving the training program. Specifically explored are patterns in employment, weekly income, and receipt of public assistance. The analysis documents effects of program services on participants' lives in terms of the goals of the Job Training Partnership Act: "...increased employment and earnings of participants and reductions in welfare dependency" (Section 106 of the Act). The analysis then uses a cost-benefit model to measure the return on this investment by linking the costs of program participation for the entire group of adult participants to the benefits accrued. Earnings and welfare reduction effects from the 13-week observation are projected to estimate how soon the positive impacts of program participation "repay" the training costs with reduced welfare dependency and taxes on earnings. In general, the results suggest cumulative income and welfare reduction effects greater than program costs approximately 1 1/2 years after program exit. The reader is cautioned that the methodology of gross impact analysis does not allow speculation on what would have happened to participants had they not received program services, but it does document what happened to those who received these services.

Results of the Study

Table 1 describes the characteristics and experiences of 6,693 of 6,847 adult Title II-A participants who terminated training during the 1989-90 program year. The adult population examined did not include 154 of the 6,847 adult participants leaving training. Erroneous late entry of termination information into the State's Management Information System precluded their

inclusion in the follow-up enumeration of program terminees 13 weeks after program exit.

Table 1 indicates the typical adult participant was not employed at application (82.9 percent). Among the one-in-six (17.1 percent) working at application, the average weekly wage was $120.66 for an average 27.1 hours of work. At application, one-in-four adults (26.3 percent) came from households receiving Aid to Families with Dependent Children (AFDC) and one-in-three (38.2 percent) from households receiving food stamps. The average planned expenditure per adult participant in the program was $2,400.

It is important to note that data on actual expenditures for each participant were not readily accessible for this study. Rather than collecting individual participant expenditures within each SDA, each terminee was ascribed an expected training cost using SDA-specific planned expenditures by training activity. Experience shows that the use of planned cost data tends to slightly overstate actual expenditures. As a result, the use of these higher planned cost figures make it more difficult to achieve payback.

Turning to the employment and earnings of adults 13 weeks after program termination, the prototype program participant has shifted from unemployed at application (82.9 percent) to employed (64.6 percent) at follow-up. Also accompanying this shift was a move from part-time hours (an average of 27.1 hours per week) to full-time employment (an average of 38.6 hours per week). Average weekly wages almost doubled as they moved from $120.66 among the 17.1 percent employed at application to an average of $219.60 among the 64.4 percent employed at follow-up 13 weeks after leaving the training program. Dependency on AFDC dropped from 26.3 percent at application to 16.0 percent at follow-up.

Table 1 also depicts the differences in the incomes of the 6,693 adults by comparing the total earnings and total AFDC cash payments at application to those 13 weeks after leaving the program. At application the 6,693 adults earned $138,150 per week as a group and $949,479 at 13 weeks after program exit. Total wages increased 587 percent over the earnings at application. AFDC cash payments also demonstrated a net decrease of 42.3 percent as the total monthly AFDC payments received by the adults' households dropped from $468,061 to $270,247. As a group, the 6,693 adults thus illustrate significant net changes in their welfare costs and earnings between application and the 13th week after program exit. Table 1 shows that the

program spent approximately $16 million to train this group (6,693 x $2,400). If the substantial differences between pre-program and post-program earnings and welfare costs shown in Table 1 are assumed to continue into the future, then we can expect that the welfare cost reduction and increased taxes on wages would eventually "pay back" the entire cost of the group's program participation. Figure 1 presents a worksheet calculating a "payback" rate using this approach. The worksheet first estimates annual welfare and tax effects due to the increased employment among program participants. It then divides the annual aggregate economic effect into the aggregate cost to yield an estimated number of years to pay back the investment. Obviously this worksheet projects a measured pre-program to post-program difference into the future. The unavailability of follow-up data for intervals after 13 weeks makes projection rather than measurement of program effects necessary if we are to estimate longer-term program effects. This "steady-state" projection technique slightly overstates the true long-term positive labor market experience of the group since retention in employment typically varies over time. The trend is clear despite this overstatement of long-term program effects: the Georgia Job Training Partnership Program produces aggregate results where decreasing welfare payments and increases in taxes paid on wages appear to return the investment in training within an average of 1 1/2 years. The less job ready -- those receiving AFDC, school dropouts and those with limited work history -- pay back their training costs in slightly more than 1 year (1.13 years), while the payback rate for the more job ready is 2 years. The high rate of return for the less job ready group is due to greater welfare reduction and earnings increases. Those employed repay all participants training costs in approximately 1 1/2 years, while those employed repay their own training costs in approximately 1 year. The data presented here are best used to describe trends in effect -- that is, the Georgia Job Training Partnership Program induces significant income and welfare reduction effects in a relatively short period of time after leaving the program.

Study Design Limitations Affecting the Interpretation of the Results

The cost-benefit analysis uses data to project rather than directly measure long-term program effect. This projection of effects assumes that the participants' pre-program and post-program differences, calculated between

application and 13 weeks after leaving the program, will continue unchanged in the future. Participants are assumed to retain the jobs and earnings they report 13 weeks after program exit. Projections using this assumption can potentially overstate the participants' actual long-term labor market and welfare reduction experience.

The conclusions of this research are also limited by the lack of data on a control group not receiving training services under the Georgia Job Training Partnership Program. Without data on the employment experiences of a comparable control group not receiving services, the research cannot specify how many participants would have found employment without program intervention. The methodology thus does not allow speculation on what would have happened to participants had they not received program services, but it does document what happened to those who received services. However, it is noteworthy that 51.5 percent were underemployed (working at subpoverty wage level jobs) at the time of application or not actively seeking work.

Background on the Cost-Benefit Approach Used in the Study

The analysis used a cost-benefit model to measure the return on the training investment that links costs of program participation for an entire group of participants to the employment and earnings benefits they accrued. Costs per adult participant were estimated by using planned expenditures for each training type. Net employment and welfare reduction effects for adult participants, served during the 1989-90 program year, were measured using differences between application data and a post-program enumeration on program participants. Both the application interview and the follow-up interview 13 weeks after program termination queried participants concerning their current employment, earnings and welfare dependency. Aggregate net change data were then used to estimate how soon the positive impacts of program participation "repay" training costs through reduced welfare dependency and taxes on earnings.

Table 1

Measuring the Return on the Investment

Pre-Program and Post-Program Employment, Earnings and Public Assistance Status for Adults	Pre-Program (Application)	Post-Program (Follow-Up)
Percent Employed	17.1%	64.6%
Average Weekly Earnings	$120.66	$219.60
Average Hourly Wage	$4.47	$5.69
Average Hours Worked	27.1	38.6
Percent Receiving AFDC	26.3%	16.0%
Percent Receiving Food Stamps	38.2%	23.7%

NOTE: The number of adult terminees included in the study is 6,693. Of this number, 1,762 were AFDC recipients at the time of program application.

Net Income Effects for Adults and Adult Welfare Recipients	Amount for Group	Pre-Program to Post-Program Change
Entire Adult Population		
Week of Application Earnings	$138,150	/////
Weekly Earnings at Follow-Up	$949,479	587.0%
Adult AFDC Recipients Only		
Week of Application AFDC Amount	$468,601	/////
AFDC Amount at Follow-Up	$270,247	-42.3%

Estimated Training Cost, Tax and Welfare Effect and Pay Back Rate for Adult Terminees	Totals for All Adults
Estimated Total Training Cost for All Adults	$16,063,200
Estimated Cost of Training Per Participant	$2,400
Estimated Total Yearly Tax and Welfare Effect	$10,818,070
Yearly Tax Effect Only	$8,437,822
Yearly Welfare Effect Only	$2,380,248
Estimated Number of Years to Pay Back	1.48
Employed Adults Only	0.97

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Figure 1

Payback Model Calculations

		Annualized Totals
A.	Aggregate Welfare Savings: $198,354/Month x 12 Months =	$2,380,248
B.	Aggregate Tax Effect: $811,329/Week x 52 Weeks = $42,189,108 x 0.20 =	$8,437,821
C.	Net Effect Per Year Taxes and Welfare Reduction (A + B = C):	$10,818,069
D.	Total Program Cost: $2,400/Participant x 6,693 Participants =	$16,063,200
E.	Years to Return Training Investment (D / C = E):	1.48

Notes . . .

1. A marginal tax rate of 20 percent is used as an estimate of the rate of federal income tax and social security taxes produced by the earnings of program participants. Virtually all participants (approximately 99 percent) who were employed at 13 weeks after program termination had incomes that would be subject to the 15 percent federal income tax rate. Twenty percent was chosen as a conservative estimate for the combined rate of federal income tax and social security payroll taxes generated by program participants.

2. The total program cost was calculated using an average of SDA planned expenditure per participant and the number of adult participants exiting during the 1989-90 program year.

3. The return rate of 1.48 years represents the period of time necessary for the taxes on aggregate earnings of those employed at 13 weeks after leaving training and welfare reduction to equal the cost of training all adults (employed and not employed). When applying the same method for employed adults only, then the time necessary for the return on the investment would drop to 0.97 years. In other words, it would take about 1 year for the 4,323 employed adults (at 13 weeks after leaving training) to pay back their own training costs.